Canada. Royal commission investigating the cost of farm machinery and repair parts.
Submission by Saskatchewan Farmers union. March 30, 1967.

Saskatchewan Farmers Union

Submission

to the

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Repair Parts

Saskatoon, Saskatchewan,

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Royal Commission Investigating the Cost of Farm Machinery and Repair Parts

Saskatoon, Saskatchewan
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Introduction

We welcome the opportunity of appearing at this hearing of the Royal Commission Investigating the Cost of Farm Machinery and Repair Parts. The Saskatchewan Farmers Union has been among those who urged that such an inquiry be made.

The year 1966 was one of bountiful harvest for most Saskatchewan farmers. Record grain crops, coupled with high wheat export demands, are reflected not only in the economy of Saskatchewan but nationally as well.

The cash income of Saskatchewan farmers has never been greater than at the present, but the same is also true in land prices, other costs of production such as farm machinery and the other inputs being used by farmers to bolster production. In the first nine months of 1966, Saskatchewan farmers borrowed $52,500,000 from the Farm Credit Corporation, an increase of 25% over the same period of 1965, and 30% of the national total of all FCC borrowings. The index of farm machinery costs has risen ten points in the past year. Taxes and interest are consuming an increasing portion of farm income. Use of fertilizer and chemicals is rapidly expanding input costs.

These various factors, taken in isolation, are meaningless, but if considered in concert with the numerous other factors which combine to determine farm profit or less, it is clear that farming has become an

Saskatchewan Farmers Union
Submission
to the

Royal Commission Investigating the Cost of Farm Machinery and Equipment Farms

Saskatoon, Saskatchewan
March 30, 1977

Introduction

We appear today on behalf of farmers at this hearing of the Royal Commission investigating the Cost of Farm Machinery and Equipment Farms. The SFU Membership for quite a time has been among those who urged that such an inquiry be held.

The year 1976 was one of bountiful harvest for most Saskatchewan farmers. Prices were strong, buoyed by high wheat export demands. Yields were not only in the neighborhood of breakeven but profitable as well.

The good harvest of Saskatchewan farmers has spurred farm equipment sales in the past year, but the gains in sales have in some instances, other than production, only as farm machinery and the other inputs being used by farmers is higher priced than before. In the three prairie provinces, sales of farm equipment rose 40%, up 1.8 from the Farm Credit Corporation, in Saskatchewan alone the sales jumped 50 percent and 30% of the purchases were of all 1976 equipment. The sales of farm machinery were taken from profits in the past years. Farmers and lenders are considering or purchasing equipment of large proportions. Use of borrowed and equity funds is supplying purchasing power.

In the Saskatoon area, farmers in Saskatoon, are more capital, and it appears to be spurred with the purchase other farmers which consider to purchase equipment or less. It is clear that farming has become an

extremely complex industry and that operating margins are narrowing dramatically.

This point can perhaps best be illustrated by Table 1 on Page 3 based on the cost of production records of Saskatchewan grain farms for the 1965 production year.

The table shows costs per seeded acre for wheat ranging from $30.95 in the brown soil zone to $31.26 in the dark brown zone, and $32.08 in the black zone. On the basis of these costs and an average on-farm price of $1.70 per bushel (basis #3 Northern) the break-even point in production costs ranged from 18.1 bushels in the brown soil zone to 18.8 bushels in the black soil zone. The size of farms in these surveys, it should be noted, are above average for the respective zones.

Relating these averages to the ten-year average wheat yield of 19.1 bushels per acre for Saskatchewan in the period 1955-64, it is clear farmers require good crops every year to remain solvent. When one then considers the average farm size used in the table and realizes the majority of farms in the province are smaller in size, it is apparent many of our farmers are indeed in an extremely insecure position.

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The table shows costs per seeded acre for wheat ranging from $[illegible].00 in the brown soil zone to $[illegible].00 in the dark brown zone, and $[illegible].00 in the black zone. On the basis of these costs and an average on-farm price of $1.70 per bushel (Grade #3 Northern) the break-even point in production costs ranged from 1[illegible].1 bushels in the brown soil zone to 1[illegible].1 bushels in the black soil zone. The size of farms in these surveys, it should be noted, are above average for the respective zones.

Relating these averages to the ten-year average wheat yield of 19.1 bushels per acre for Saskatchewan in the period 1960-69, it is clear farmers require good crops every year to remain solvent. When one then considers the average farm size used in the table and realizes the majority of farms in the province are smaller in size, it is apparent many of our farmers are indeed in an extremely insecure position.

Table I

CEREAL GRAINS, Cost of Production, Farm Management Clubs, Grain Farms, Saskatchewan, by Soil Zone 1965

	Soil Zone					
	Brown		Dark Brown		Black	
Number of farms	51		44		61	
Acres of cropland per farm a/	1,014		1,028		649	
Seeded acres per farm	550		634		432	
Yield per seeded acre of wheat on summerfallow (bu.)	21.8		22.8		21.4	
		% of Total Cost		% of Total Cost		% of Total Cost
Costs per seeded acre ($):						
Labor b/	7.78	25.1	7.88	25.2	8.97	28.0
Machinery c/	10.02	32.4	9.37	30.0	9.96	31.0
Custom work	0.32	1.0	0.43	1.4	0.37	1.2
Crop expenses (less seed)	1.49	4.8	2.39	7.6	2.01	6.3
Seed d/	2.04	6.6	2.29	7.3	2.18	6.8
Land & buildings e/	6.21	20.1	6.04	19.3	5.85	18.2
Land Taxes & Other	3.09	10.0	2.86	9.2	2.74	8.5
TOTAL	30.95	100.0	31.26	100.0	32.08	100.0
Total cost per bushel ($)	1.46		1.37		1.50	
Average cost per bushel av.yields	1.96		1.79		1.59	

Source: J.L.Drew, et al, 1965 Saskatchewan Farm Business Summary, Farm Management Division, Sask. Dept. of Agric., Extension Report #10, Sept. 1966.

a/ Includes summerfallow but excludes tame hay.
b/ Hired, unpaid family and operator.
c/ Current operating costs, depreciation and interest on investment @ 5%. Includes small tools and hardware supplies.
d/ Purchased and home produced.
e/ Interest on investment in land and buildings @ 5%; building repairs and depreciation.

Note: The source cited reports grain enterprise costs per farm and per grain acre (total of summerfallow crops, stubble crops and summerfallow). The average costs per seeded acre were calculated from the average costs per farm and seeded acres (summerfallow crops and stubble crops).

Farm Organization and Efficiency Section, Economics Branch, Canada Department of Agriculture, Ottawa, November 21, 1966.

Table 1

TOTAL [illegible]: Cost of Production, Farm Management Clubs, Crop Farms, Saskatchewan, by soil zone 1956

	Soil Zone			
	Grey	Dark Brown		Black
Number of farms	81	44		21
Acres of cropland per farm a/	1,014	1,028		449
Cropped acres per farm	330	436		332
Yield per harvested acre of wheat in bushels (bu.)	24.8	22.8		24.4
	$ of Total Cost	$ of Total Cost		$ of Total Cost
Costs per harvested acre ($):				
Labour b/	7.78	22.3	7.44	22.3	8.07	24.0
Machinery c/	10.02	28.4	9.67	28.9	9.26	27.6
Custom work	0.12	1.0	0.43	1.4	0.27	1.1
Crop expenses (less seed)	1.40	4.0	2.38	7.8	2.01	6.0
Seed d/	2.04	6.0	2.29	7.3	2.16	6.4
Land & buildings e/	8.31	24.1	8.44	16.3	8.85	18.3
Land Taxes & Other	4.05	10.0	1.65	5.2	2.76	8.5
TOTAL	34.52	100.0	31.20	100.0	33.38	100.0
Total cost per bushel ($)	1.65		1.37		1.36	
Average cost per bushel at yields	1.46		1.70		1.64	

Source: A.L. Hery, et al. 1956 Saskatchewan Farm Management Survey. Agricultural Economics Division, Sask. Dept. of Agric., Extension Report #16, Sept. 1956.

a/ Includes summerfallow but excludes tame hay.
b/ Total, hired family and operator.
c/ Current operating costs, depreciation and interest on investment @ 5%. Includes all farm and household supplies.
d/ Purchased and home produced.
e/ Interest on investment in land and buildings @ 5%; building repairs and depreciation.

Note: The source also reports farm enterprise costs per farm and per acre for the total of summerfallow crops, stubble crops and summerfallow. The average costs per harvested acre were calculated from the average costs per farm and average acres (including fallow crops and stubble crops).

Source: Organization and Efficiency Section, Economics Branch, Canada Department of Agriculture, Ottawa, November 21, 1956.

It will be noted that machinery costs per acre represent over 30% of the costs of production, the largest single factor entering into costs.

Investment in machinery on each farm continues to increase. The following table illustrates this increase.

TABLE 2

Machinery Investment per Acre, Grain & Livestock Farms

Brown Soil Zone					
Size of farm	0-480	481-800	801-1120	1120-1400	Over 1400
1960-64 average	16.62	14.92	13.09	13.09	13.09
1965	25.98	20.07	17.42	14.87	13.26
Dark Brown Soil Zone					
Size of farm	0-480	481-800	801-1120	1120-1400	Over 1400
1960-64 average	16.75	15.47	13.64	14.71	12.00
1965	28.70	22.02	22.82	19.47	16.48
Black Soil Zone					
Size of farm	0-320	321-480	481-640	641-800	Over 800
1960-64 average	19.72	17.12	19.14	17.89	16.85
1965	27.57	22.58	23.17	23.23	24.20

Source: Saskatchewan Farm Business Summary, Five-Year Average 1960-64, and Saskatchewan Farm Business Summary, 1965, Sask. Dept. of Agriculture.

From 1960 to 1965, the number of farm operators in Canada has decreased by 4% per year, while the total production has increased by 3.7%.*

In 1965, the average Canadian farmer provided food and fibre for thirty-nine persons while in 1960 he provided food and fibre for only twenty-eight people, which represents a rate growth of 6.8%.*

Saskatchewan farmers are large purchasers of farm machinery and repair parts. Table 3 shows the dollar value of these sales from 1959 to 1965.

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* Source: Proceedings of the Special Joint Committee of the Senate and House of Commons on Consumer Credit, No.4, October 4, 1966, pp.195-198.

Table 3

Purchases of Farm Machinery & Repair Parts by Saskatchewan Farmers, from 1959 to 1965, in Dollars

	1959	1960	1961	1962
New Machines	61,396,948	69,052,381	51,541,781	70,751,308
Repairs	10,876,455	11,693,143	9,926,386	11,403,191
Total	72,273,403	80,745,524	51,468,177	82,154,499

	1963	1964	1965
New Machines	96,617,831	110,985,209	133,266,618
Repairs	13,952,171	14,618,842	14,499,196
Total	110,570,002	125,604,051	147,766,814

Total Machinery and Repairs $670,582,470

Source: Farm Implement and Equipment Sales, 1965 - DBS.

Table 4 shows the number of certain machines bought by Saskatchewan farmers in 1965.

Table 4

Number of Selected Implements Bought by Saskatchewan Farmers in 1965

Tractors	6,534
Discers	3,927
Seed boxes for discers	3,316
Cultivators	4,922
Rod weeders	2,409
Drills	684
Fertilizer attachments	1,214
Harrows sections	26,581
Mowers	1,643
Side delivery rakes	1,081
Balers	2,316
Pull type combines	1,402
Self-propelled combines	3,698
Pull type swather	3,258
Self-propelled swather	1,852
Forage harvesters	1,173
Tractor loaders	3,656
Grain elevators	5,050
Wagon gears	1,232
Field sprayers	1,443

Source: Farm Implement and Equipment Sales, 1965, DBS

Saskatchewan farmers purchase more machinery than farmers in any other province. Yet no major manufacturer has located a plant in the prairie provinces.

Agriculture in Saskatchewan and those engaged in agriculture have become dependent on the farm machinery industry and its distribution system for its well being. Decisions made in the headquarters of companies, often outside of Canada and almost exclusively outside Saskatchewan, are reflected directly into the lives of Saskatchewan farm families.

A characteristic of our economy, which has been of concern to farmers and policymakers for a number of years, is the tendency for economic power in certain industries to become highly concentrated. Farmers are greatly concerned by such developments because they find themselves buying from and selling to industries displaying these tendencies. Farmers, on the other hand, are in an industry where the major part of the industry is organized on an individual proprietorship basis with market power so dispersed as to be virtually non-existent.

One of the industries causing the farmer most concern is the farm machinery industry. The concern emerges as a result of the growing size and importance of machinery investment on all types of farms and the growing concentration in the farm machinery industry.

There are many who will argue that the structure of a market is of no significance, and that the only test of whether or not an industry is serving the public interest, is to be found in various measures of performance and conduct. Economic theory, however, suggests that certain types of poor performance tend to emerge as concentrations of economic power develop.

We will present below some evidence of the extent to which this poor performance exists.

Some studies in other industries suggest a number of types of poor performance which are likely to develop. Some of these are: a lessening or disappearance of price competition, excessively high advertising costs; product differentiation based on gimmicks; "built-in" obsolescence; bureaucratic inefficiency; low rates of innovation; and costly location competition in distribution. In the following pages, we consider the evidence available to show poor performance of these types exist in the farm machinery industry in Canada.

We fully recognize that there are some benefits to be obtained by permitting the development of concentration. The dilemma is that to date society has had very little success in establishing systems which provide the benefits without incurring the very high costs. A number of techniques have been proposed and utilized to try to ensure that the power which comes with economic concentration is not abused. Those having the power suggest that in large measure the social conscience of those in control of the industry will prevent abuse. Others suggest that legislative action should be taken to prevent the development of concentration. Still others suggest that legislation against the specific abuses should be the major instrument to obtain good performance. There are those who suggest that such industries should come under strict public regulations. And there is a group which suggests that only with the development of countervailing forces in the market will good performance from a concentrated industry be attained. Finally, there are some who will argue that the public sector should have the major responsibility

for production (of goods or services) wherever the advantages of concentration are substantial. The recommendations at the end of our brief suggest what we consider to be the "mix" of these solutions most likely to contribute to the development of a healthy farm machinery industry serving most effectively the interests of farmers, machine company investors and consumers of farm products

We live in a society whose basic philosophy is that the individual should be motivated in what he does by profit. We have projected this into our corporate structure as well. Farmers are no exception to this rule.

Experiences of the past have shown the greatest enemy of profits in our society is competition. Developments in the structure of the farm machinery industry over time show a series of mergers and/or take-overs. The Commission is reminded of the description of such mergers in the book, "Agricultural Implements Industry in Canada" by Phillips. In a second book, Merryl Dennison describes the development of the Massey Harris Company, later to become, through amalgamation, Massey-Ferguson.

Mergers take place, not always for industrial efficiency nor to offer to the public a complete line of equipment, but upon occasion for the removal of competition in order to maximize profits. Thorstein Veblen in his book, "The Theory of Business Enterprise", suggests that in negotiations for amalgamation, one firm attemptsto place its competitors in as disadvantageous position as possible in order that the merger will be on the terms most advantageous to it.

The process still goes on. Consider, for example, the actions of John Deere when Versatile in Winnipeg did not accept John Deere's offer to purchase.

Versatile is a growing manufacturer of farm machinery. It has recently put on the market some larger, more expensive machines, such as four-wheel-drive tractors, combines. It threatens to become a serious competitor to the major companies. It offers its machines at considerably less price than other companies.

When Versatile did not accept the offer to purchase, John Deere began to put pressure on its dealers, who were also distributors for Versatile, to discontinue being an outlet for its new and growing competitors. They said, in effect, "Get rid of Versatile or we get rid of you."

We file with you correspondence of a former John Deere dealer with whom the company would not renew the contract because the dealer was unwilling to cease making available to his customers Versatile machinery which had proved satisfactory to these customers for a number of years. We mark it as Exhibit .1. The correspondence shows the extent to which this ex-dealer has gone but without success.

Company correspondence says, "They require exclusive selling efforts on all of our machines that are saleable in that territory." There was no objection when Versatile was offering things such as grain loaders, field crop sprayers, etc. This dealer had been selling products manufactured by Versatile since 1956. His contract was not renewed in 1966 with John Deere.

In attempting to get his story before the public through the news media, this ex-dealer was unsuccessful. Correspondence with the editor of one farm publication said, "...I am still unsure of certain details of this case in its wider aspects. Thus I am not at all willing to get the newspaper into a controversy in which we are not able to establish all the facts of both sides."

Could it be the real fact of importance here is that the machine companies place many thousands of dollars advertising in the newspaper every year?

We urge the Commission to fully investigate the area of competition or lack of competition that exists.

There has developed in the last few years a number of small manufacturers in Saskatchewan. They came into being to manufacture a new machine of a different type, not made by the major companies. We do not know of a major company that has manufactured a grain auger. Yet the principle of moving grain in this way has been known to these companies for many years and was used in threshing separators and combines.

No major manufacturer is making rock pickers, fertilizer attachments, field crop sprayers. Major companies have manufactured larger and larger combines, yet it was the little guy who developed the principle of putting two swaths together in order to use the capacity of the combine. The companies' answer was a wider table with a pick-up on each end. It was the small manufacturer who developed the principle of the "over centre" leverage for a release on cultivator shanks.

All of this suggests that the large companies have failed to innovate--particularly in matters associated with extensive grain farming. They have chosen, instead, to try to maximize profits by adding gimmicks and advertising in an attempt to sell their standard products.

Efforts of SFU in Enquiry:

The Saskatchewan Farmers Union has gone to a great deal of time and effort in gathering information contained in this submission. One of our locals in each of the twelve SFU districts took a questionnaire to all of the farmers in a township. One local did not complete the survey, and our

data is based on response from 268 farmers in 11 townships. Of those answering the question, "Are you a member of the SFU", 168 respondents said they were. The remaining either said they were not or did not answer the question.

We conducted twelve hearings, one in each SFU district, with a registered attendance of 761 people. Farmers, groups of farmers, implement dealers and manufacturers were invited to express their views on farm machinery matters. We were exceptionally pleased with the response.

Tabulation of the questionnaires returned in the survey is not yet complete. A very significant section in respect to the machinery the farmer is using on his farm will be tabulated and made available to you. What has been tabulated is incorporated into this submission.

We conducted a survey of seven dealers in widely separated parts of Saskatchewan and the replies from the dealers are incorporated in this submission.

We do not claim to represent dealers before you. We do, however, believe that farm machinery dealers are in a very difficult position and his position is similar to that of the farmer, vis a vis the company.

The data in respect to dealers may suggest to you areas for investigation by the C ommission.

We file with you as Exhibits 2 and 3 the questionnaires used in our survey of farmers and implement dealers.

We would at this time request that after our tabulations are completed we may again appear before you.

One farmer who attended a hearing said in part:

"Western Canadian farmers have had a very difficult struggle over the years to get adequate and suitable farm equipment that would give them satisfactory service on prairie farms. The equipment the pioneers and homesteaders brought with them, and also that which was shipped in, had been designed for the small farms in eastern Canada and the United States, Eastern Canadian farmers could provide a living for his family on a much smaller acreage than could the prairie farmers, and the small machinery would not stand up to the stony conditions of western Canada. When prairie farmers first got a tractor that would travel faster than horses, they attempted to pull this small machinery faster, and the machinery just wouldn't stand up to it. The farmer had to start repairing it in his own farm shop, but he soon found that repairing it was not enough, and very shortly he began to reinforce it to prevent future breakage. Next he began to design practical innovations to get it to do a more satisfactory job. The farm workshop with the blacksmith forge, anvil, taps and dies, became a very important part of the farm.

"At the supper table in the rural farm homes, and in the long winter evenings, farmers had many informal discussions on the pros and cons of the various adaptations that they, or their neighbors, had made to farm equipment. The acetylene torch was a valuable aid and the coming of the electric welder, first driven by a gas engine, and later by rural electric power, was an additional and indispensable asset to the development of satisfactory farm machinery. Farmers began to design and make their own farm machinery: the one-way disc and later the discer were first made on western Canadian farms. Now the blockmen from the larger machine companies are instructed to listen and watch, as they travel through their districts, for the things farmers are designing in their farm workshops.

"Canadian Co-operative Implements Limited (CCIL) was organized for two purposes: (1) to reduce the price of farm machinery, and (2) to design some suitable farm machinery for western farms. CCIL mass-produced the first discers and rotating harrows.

"In the development of farm machinery in western Canada, the farmer himself has done most of the practical designing. Machine companies have then re-designed these practical designs to engineering specifications for mass production and agricultural engineers in universities, as well as machine company engineers, have then field-tested them. The machine companies then mass produced them and sold them to the farmers who, again, when operating them, are thinking about further improvements to make them even more efficient. And so the cycle continues."

Farm Machinery Testing

In 1958 the province of Saskatchewan by an Act of the Legislature set up an agency known as the Agricultural Machinery Administration to, among other things, test the performance of farm machinery offered for sale in Saskatchewan. The agency published reports on the performance of the machines tested. In 1964 there were 15,200 Saskatchewan farmers on the mailing list receiving these reports, and many more distributed to farmers by other means. Unfortunately, the testing program was discontinued in 1964.

In addition to testing, the Agricultural Machinery Administration was given the power to license dealers and provincial distributors.

Companies were required to file with AMA price lists of new machines and repair parts and the location of where they could be purchased in Saskatchewan.

The Agricultural Machinery Administration proved to be a place where farmers could go when having difficulty in getting repair parts, or when a dispute arose between the farmer and the company over warranty and service.

Of all the problems brought to our attention at the hearings, unavailability of repair parts, evidence of bad performance of machines and bad performance of companies held the spotlight. Replies given to the questionnaires confirm evidence given at our hearings.

Farmers regret the testing program was discontinued. At our hearings, many farmers felt the testing program did not go far enough. Its main weakness, they said, was that AMA tested machines already on the market and what was

needed was testing to be done and reports published prior to a machine being offered for sale.

Replies to the question: "Do you think company tests of their machines to be adequate?" is shown in Table 5.

Table 5

Number of Farmers who think company tests of their machines to be adequate

Number of Replies	Yes	% Yes	No	% No
216	69	31.9	147	68.1

Source: SFU Farm Survey.

Our survey shows that nearly 70% of those responding think that companies do not adequately test their machines.

Evidence Presented at Hearings to Substantiate

A farmer bought an 1850 Cockshutt tractor in October, 1965. At the time of purchase a noise was noticed and it was understood by the farmer that the dealer would fix it. In the spring of 1966, the tractor was taken into the dealer's shop, and was there for two weeks, but when taken out the noise was still there. The dealer then replaced certain bearings in the motor. The tractor then began to use excessive oil. The tractor was taken into the dealer's shop again and new rings put in. When it was returned to the farmer, oil consumption increased to a quart in three hours of use.

The farmer wanted a new motor installed, but the company wouldn't install it, but offered to take the tractor on a trade-in for a new one, for $1300.

The farmer accepted the offer as by now the warranty period had expired. The experience of this farmer was that for $1300 he received 330 hours work from a 92 horsepower tractor. Hardly adequate performance!

A second farmer purchased an 1800 Cockshutt tractor in April, 1965. With less than 1000 hours' work, the cylinder head cracked. After a three-months' wait for a new cylinder head, the farmer threatened to sue the company, at which time the part was flown in from the factory in two days -- an example of bureaucratic inefficiency.

Another farmer bought a 930 Case diesel in the spring of 1963. It worked well under May of 1964, when it began to smoke and throw out raw fuel. In the meantime, the dealership had changed hands. When taken into the shop, it was discovered that the inside pipes leading to the nozzles had peeled, plugging the nozzles. This farmer informed us that other models of the same tractor had given similar trouble. This trouble was known to the company and the company had replaced these pipes with others made of different material. When his trouble developed, the warranty period was over and the cost to him was $130.

A farmer bought a self-propelled Massey Ferguson swather in 1955. In July, 1964, he ordered two new sprockets for the swather. The dealer was unable to get them. The sprockets were re-ordered twice the same fall. In April of 1965, the farmer took one of the sprockets to Regina to show the company what he wanted, but sprockets didn't come.

In June, 1966, he went to a Cockshutt dealer, who was a personal friend. The dealer phoned Kilburn Industries in Winnipeg. Kilburn Industries had made this particular swather for Massey Ferguson. The sprockets arrived in three days.

It is the feeling of this farmer that it was the intention of Massey Ferguson to force him to buy a new machine. Another example of bureaucratic inefficiency. We file the brief as Exhibit 3.

These are but a few of the many instances brought to our attention. Many more could be given.

In the survey conducted by SFU locals referred to earlier, a series of questions were asked in order to get a pattern of the kind of service being provided to the farmers of Saskatchewan by the companies. We attempted to find out what farmers themselves are doing in order to get service and keep their machines in the field. The following is a series of tables based on data as shown by the replies of farmers in our survey.

In our questionnaire we asked how far it was from the farm to the normal repair parts centre. Replies received are shown in Table 6.

Table 6
Distance from Farm to Normal Repair Parts Centre

No. of Replies	Less than 5 miles	6-10 miles	11-15 miles	16-20 miles	More than 20 miles
250	33	115	48	27	35

Source: SFU Farm Survey

We asked if they normally go to more than one centre for repairs. Replies are shown in Table 7.

Table 7
Number of Farmers Normally Going to More than One Centre for Repair Parts

No. of Replies	Yes	%	No	%
258	178	65.9	88	34.1

Source: SFU Farm Survey

We asked the distance to other centres gone to for repairs in the last year. Replies are shown in Table 8.

Table 8
Distance to Other Centres Gone To for Repair Parts in 1966

No. of Replies	1-5 Miles	6-10 Miles	11-15 Miles	16-20 Miles	21-40 Miles	More than 40 Miles
210	0	6	21	15	77	91

Source: SFU Farm Survey

We asked how many centres had been gone to for repairs in the last year. Replies are shown in Table 9.

Table 9
Number of Centres Gone To for Repair Parts in 1966

No. of Replies	No. of Centres								
	1	2	3	4	5	6	7	8	9
257	46	97	64	37	9	3	1	0	0

Source: SFU Farm Survey

We asked the value of repair parts normally kept on farm. Replies are shown in Table 10.

Table 10
Value of Repair Parts Normally Kept on Farm

No. of Replies	Less than$50	50-75	76-100	101-150	151-200	201-250	251-300	301-350	More than 350
183	56	26	46	15	19	5	4	4	8

Source: SFU Farm Survey

We asked: Have you had adequate service of repair parts in the last two years? Replies are shown in Table 11.

Table 11.
Number of Farmers Who Have Had Adequate Service of Repair Parts

No. of Replies	Yes	%	No	%
251	149	59.4	102	40.6

Source: SFU Farm Survey

We asked the kind and age of machine for which adequate repair part service had not been received. Replies are shown in Table 12.

Table 12.
Kind & Age of Machine for Which Repair Part Service Has Not Been Adequate

*Kind of Machine	No. reporting inadequate service	%	*Age of Machine	No. of Respondents
Tractor	34	40.1	1 yr. or less	8
Tillage	0	0	1-2 yrs.	11
Seeding	5	.6	2-3 yrs.	8
Swather	5	.6	3-4 yrs.	6
Combine	30	36.1	4-5 yrs.	3
Baler	3	.36	5-6 yrs.	6
Forage Harv.	0	0	6-7 yrs.	2
Other haying	8	.72	7-10 yrs.	15
			More than 10 yrs.	20

* Not necessarily the same machine.
Source: SFU Farm Survey.

We asked the value of the repair part and the number of days delay in receiving it. Replies are shown in Table 13.

Table 13
Value of Repair Part and Days' Delay for Machines with Inadequate Service

Value of Repair Part ($)	Number of Respondents	Days Delay	Number of Respondents
Less than $3	6	Less than 5	20
3-5	5	5-10	19
6-10	10	11-15	10
11-15	9	16-20	1
16-20	6	21-25	3
21-25	6	26-30	3
26-30	4	46-90	4
31-50	11	More than 90	13
More than 50	19		

Source: SFU Farm Survey

In summary, the above tables show:

1) That 65.9% of farmers go to more than one centre for repair parts.

2) That 80.3% of farmers at times go more than 20 miles for repairs.

3) That 43.3% of farmers at times go more than 40 miles for repairs.

4) That farmers do have repair parts on their farms.

5) That 59.4% of farmers have not had adequate service on repair parts.

6) That the two most expensive machines on most farms in Saskatchewan, tractors and combines, have received the poorest service.

7) That machines 2 years of age or less, or more than 7 years of age have had poorest service.

8) That if parts are not obtainable in two weeks or less, it is likely to be a long wait.

All this demonstrates the need for a public agency to assist the individual farmer to deal with the bureaucracies, which appear to have been built into the large machine companies.

Specifically, such an agency is needed to:

1) Test the performance of a machine before it is offered for sale.

2) Ensure that when a machine does not perform the purchaser is provided with protection.

3) Ensure that repair parts are readily available.

Poor Workmanship and Engineering

Evidence of poor workmanship and engineering were of next significance brought to our hearings.

One farmer brought rubber O rings used in a John Deere 3010 tractor to seal the sleeves in block assembly. We file these O rings with you as Exhibit 4. It can be seen that if the rings are not installed properly, they can be pinched and would soon no longer seal, as happened in this case. The replacement of the old style gasket by these rubber O rings must be considered a retrograde step.

Tractor manufacturers use similar kinds of O rings to seal many parts and many complaints were received.

Another farmer brought a part from a John Deere Hoe Press Drill. We file this part with you as Exhibit 5.

It is one of the bearings (6 used) which supports the rock shaft, which, in turn, regulates the depth of the furrow openers. These parts wear rapidly and when worn allow uneven penetration of furrow openers.

In order to replace this part, the complete rock shaft must be removed. This farmer informed us that a new design of bearing is available by special order but adds that the 1967 model of John Deere Hoe Drill is offered for sale with the old style bearing.

Another farmer brought a "twine stripper" from a New Holland Baler. We file it as Exhibit 6. The part has to be replaced because the bearing wears flat in one spot. The farmer said, "When Oliver was still in operation, I could buy this little bearing for 45¢ and replace it. Now New Holland installs the bearing by hot riveting and the complete part must be bought for $8.65."

Another farmer brought a coupler and blower shaft from a Cockshutt 1900 tractor. We file this with you as Exhibit 7.

With less than 1000 hours' use, but after warranty had expired, the spline in both shaft and coupler became stripped. It can be seen that either the shaft is too short, as only approximately 3/4 of spline has been used, or coupler was installed backwards.

The price of the parts was $23.62. Cost of travelling and labour was $55.00. Total cost was $78.62. We file a copy of the receipt for payment as Exhibit 8.

Another farmer purchased a New Holland #717 forage harvester in July, 1965. We file operator's manual showing part as Exhibit 9.

He noticed considerable vibration of the power take-off when turning. He used the machine for about ten days the first year, with a John Deere Model R tractor to power the machine. After five days' use in 1966, the power take-off went out of the tractor. He rented another tractor and the vibration was still there when turning.

He loaned this machine to a neighbor who removed the power shaft to try to discover the cause of vibration and found the knuckles on the power shaft to be out of line. The part was taken to Universal Industries in Lloydminster who cut the shafting collar, turned it so knuckles were in line

and re-welded. The farmer was happy to say this removed the vibration completely. Other farmers present confirmed similar experience with the same machine. Because of poor engineering on the part of New Holland, the farmer's bill in repairing tractor was $348.18. We file with you this receipts for payment as Exhibit 10.

Another farmer purchased a 1600 Cockshutt tractor in 1963. In 1966 the clutch throw-out bearing went, ruining the clutch. When taken apart, it was discovered that the throw-out bearing had been improperly installed, in that the cut-away portion where grease was to enter the bearing was nowhere near the grease nipple outlet, and no grease entered the bearing. This bearing can only wear when the clutch is disengaged. Even though the fault lay with the company, the warranty period had expired and the cost of replacement parts to the farmer was $117.53. We file the bills, clutch and bearing as Exhibits 11, 12 and 13.

Another farmer brought us a bearing from the flywheel from an 830 Case tractor damaged in installing. The same farmer brought a PTO clutch for the same tractor. This clutch has to be tightened often when using PTO. We file the bearing as Exhibit 14 and clutch as Exhibit 15.

Compare these experiences with a statement made by an SFU local,

> "Yes, every farm machine company without exception made very good tractors in the 1940's and early 1950's. Every man who farmed at that time and still does would agree with the above statement. Yes, the McCormach W4, W6, W9, International Farmall H & M's are still going today. So are the John Deere D's, AR's, R's; Massey Harris 44's and 55's; Cockshutt 30's, 40's, Oliver 77's and 88's; Case; Allis Chalmers, were all good tractors at that time....Today nearly every farmer who has a new or late model has one or two of the old ones which he uses frequently. Which of the three break down or give trouble? Take two guesses and the first one is right. It's the new one, and other briefs will substantiate this."

We file this brief as Exhibit 16.

More concern was expressed as to the quality of the machinery offered for sale than the price at which it is offered. Without exception, machinery companies have developed larger machines and power units. Tractors in particular are not only larger, but are designed to do for the buyer more things than simply pull a load. Hydraulics have been built in, power steering, etc.

Experience of farmers has shown that engineering leaves much to be desired. One farmer put it this way,

> "Tell the Commissioner to go into any dealer's yard, have a farmer with him, and see the reasonably new machinery there. Get the case history of each, and the Commissioner will see where the problem lies."

Dealers, too, are having extreme difficulty in employing staff capable of servicing the new models. Smaller dealers are at a greater disadvantage in this respect. Qualified service men are scarce and dealers and farmers at times have to wait months for a service man. One farmer outlined this problem with these words, "The machines are getting too complicated for the mechanics."

We believe that this kind of inadequate service, inadequate testing, poor engineering, persist because the major companies have become so dominant that they can overlook the problems created for the farmer.

Repair Parts Prices

Another problem farmers brought to our attention was pricing of repair parts. Problems appeared to be in two general areas:

1) Increase in prices for repair parts.

2) Difference in price of some or similar parts from different suppliers.

Many examples were filed with us. One farmer bought a front axle for an IHC tractor in 1952 for $27.00. It broke again in 1953 and price was

$35.00. In 1954 it was $45. The last time he enquired it was $67. When the price exceeded $45, he had one made in a local shop for $19 and has since had two more made at the price of $19. We file his brief as Exhibit 17.

Another farmer reported a clutch plate from a Massey Harris 44 tractor. The same clutch plate fits a 1950 Ford 1 1/2 ton truck and other Ford products.

Massey Ferguson's price	$27.80
Ford dealer's price	$19.50
McLeod's price	$9.80

The same farmer brought a solonoid used on a Massey Ferguson 44 diesel tractor. The same device is used on many makes of cars and trucks.

Massey Ferguson's price	$44.70
Ford price in North Battleford	$3.60

We file it as Exhibit 18.

Another farmer brought in two chain links of the same size, one of which has two wings to which slats can be attached, the other one wing. The link with one wing was purchased from a private dealer for $1.74. The second link with two wings was purchased at CCIL for 70¢. We file the links and bills as Exhibits 19 and 20.

Another farmer brought in a page from IHC catalogue and a page from McLeod's catalogue, both advertising 6 and 12 volt rear lights.

IHC advertised price - 6 volt	$21.54
12 "	$26.34
McLeod's advertised price - 6 volt	$4.89
12 "	$4.89

We file the pages as Exhibits 21.

A local of the SFU pointed out different price for rasp bars for a John Deere #65 combine (set of 8).

John Deere price	$102.16
Tractor Supply, Winnipeg	$37.50

We file their brief as Exhibit 22.

Another local bought 6 chain links and a connector from neighboring dealerships:

Price at one dealer	$1.00
Second dealer	$1.25
Third dealer	$1.70

We file the chains and bills as Exhibits 23 and 24.

This local brought a Pitman bearing for a Massey Ferguson swather:

1965 price	$9.60
1966 price	$12.00

We submit it as Exhibit 25.

Another farmer provided us with a receipt for purchase of a sprocket for $4.21. The sprocket had been in stock for some time and had a price tag on it for $1.29. We file it as Exhibit 26.

A local of the SFU gave us the following rise in price of a hydraulic pump for a Massey Harris 44 tractor, part #763015M92:

1966 price	$71.40
1967 price	$106.30

Another brought us a cover door on a combine return elevator priced at $5.00. He had one made by a local man for 90¢. We file it as Exhibit 27.

Another brought a locking nut from an IHC truck priced at $9.24. We file it as Exhibit 28.

Another farmer said he had recently bought a new rock picker for $1800. It is made of steel, bearings and chains, and mounted on rubber tires. Its weight is 3600 lbs, which would be 50¢ a lb. for the steel. Some parts of the machine came in contact with the soil and were face hardened.

He also has a Massey Ferguson 88 tractor bought in 1960. He has

used the tractor for 2500 hours. During this time he has had to buy four new cylinder heads. The cylinder head is made in a mold and consists of cast iron. No machining is done on the head. The weight of the head is approximately 100 lbs.

Two years ago the price was $199; today it is $447, which brings the price of the cast iron to $4.47 a lb.

Another farmer brought a Land wheel hub for a 10 ft. Cockshutt one-way. The price paid was $63.50. We file the hub and bill as Exhibits 29 and 30. You will note that no machining is done and it is simply moulded of cast. The farmer informed us that the hub for a later model is shorter and machined at the small end to receive a bearing. This can be bought at a considerably lower price.

The same farmer brought in a belt that is used on a CCIL (Cockshutt) swather and a CCIL (Clayes) combine. Part numbers are different for each machine and sell for different prices.

Part #S 627	Price $5.10
Part #230053	Price $2.35

We file the receipt as Exhibit 31.

A drill hose clip was brought for a Massey Ferguson drill - Price $1.05. We file the clip as Exhibit 32.

The evidence submitted above should leave no doubt in your mind of why farm people are concerned. We suggest to you that the problem of price of repair parts is becoming more severe as one by one the smaller companies are amalgamated with the large. With fewer companies in the industry, competition has been lessened and threatens to disappear.

Standardization of Parts

Manufacturers of products have standardized certain things in the past. Examples that could be mentioned would be bolt and burr threads, SAE oil specifications, power take-off size and speeds. Standardization of many additional items would benefit and bring about considerable savings to manufacturers, distributors, dealers and farmers. No attempt appears to have been made to even standardize parts within each company for its various machines -- such simple items as guards, ledger plates and knife sections are seldom interchangeable between different models made by the same company. Shaft sizes, bearings, belts, chains, hydraulic couplings, oil filters, pulleys, wheels, tires, universal joints, electrical equipment are items which could be standard.

Farmers feel a code could be agreed upon that would provide for a minimum size shaft and/or bearing to withstand a certain stress or strain. Minimum requirements for belts and chains, wheels, tires, hydraulic hose and couplings, the same.

Of equal importance is a method of identifying belts and bearings. Belts could be numbered A, B, C, etc., for certain widths; 1, 2, 3, etc., for length; and A1, A2, etc., for certain minimum strength. Bearings should be numbered by a standard number by all manufacturers. A code could be agreed upon or established by regulation as to size, both inside and out, as width, etc. If machine companies use the manufacturer's number rather than a part number, considerable savings would accrue.

In the first place, machine companies themselves would not require the complicated reference and parts books. Nor would they have to place

identical bearings into boxes with different parts numbers. Warehousing space would be reduced.

Dealers would save a considerable amount in overhead on stock to say nothing of the mental anguish of maintaining inventory cards and frustration when parts are not available.

One central bearing distributor would be able to provide the needs of the whole province, with sub-distributors in strategic points in the province.

We believe standardization of many parts, both within and between companies, would result in savings and better service to all concerned.

Many farmers attending our hearings brought up the subject of frequency of change in models and design. We have done no research into the extent that change in models has added to the cost. Model changes require retabling of factories, a build-up in inventory all the way down the distribution chain to the dealer in the rural area.

Model changes require additional training of service personnel, already in short supply, and new tools to handle new jobs. Here, the greatest pressure is on the dealer. He is the man who must stock the new parts, acquire the new tools, adapt his facilities to give the service the farmer needs. He has no choice but to pass these added costs on to the farmer or suffer the consequences.

The Commission must not overlook the social cost to the nation when newer, larger machines come onto the market. To what extent is this change in models forcing the so-called efficient farms at any given time into the category of an inefficient farm? To what extent is pressure put

on the ability of society to maintain other social services such as schools, hospitals, roads, service centres, etc., in rural areas? What added pressure is placed on the larger urban centre to provide services?

We do not suggest change and progress should be halted, but we do suggest it may be desirable to regulate it.

Mr. Justice Freedman, in his report to the Canadian Government in 1965, said management does have social responsibilities. We raise the question: Does the farm machinery industry have comparable responsibility toward society? Does government have responsibility in regulating the speed with which society is forced to change?

Advertising:

A number of farmers attending our hearings raised the question of advertising. One SFU local said, "The only real competition that exists among farm machine manufacturers is their very rigorous, extensive, uninterrupted advertising campaign costing hundreds upon hundreds of thousands of dollars yearly, or perhaps one should say millions. The farmers have to pay for these large expenditures which are included in the price of machinery they have to buy sooner or later. We have not as yet purchased any specific machine because of advertising. Is all this advertising necessary?"

During the months of January and February, 1967, farm machinery companies spent $193,027 in advertising in four farm papers with circulation in Saskatchewan. Details of advertising costs are shown in Table 13.

Table 13

Cost of Advertising by Farm Machinery Companies in Selected Publications, Jan. and Feb.,1967

Advertiser	Country Guide	Family Herald	Western Producer	Free Press	Total
John Deere	2,268.00	7,100.00	8,750.00		18,118.00
Massey Ferguson	25,240.00	26,440.00	13,040.00	820.00	65,540.00
J.I.Case	12,715.00	6,160.00	6,550.00		25,425.00
Int.Harvester	4,536.00		2,500.00	4,060.00	11,096.00
Cockshutt	12,715.00	2,840.00	3,930.00		19,485.00
New Holland	7,500.00	4,466.00	2,655.00	5,664.00	20,285.00
Minn.Moline		1,420.00			1,420.00
Ford	6,310.00	1,420.00			7,730.00
Versatile				11,008.00	11,008.00
Allis Chalmers	6,310.00	6,610.00			12,920.00
					$193,027.00

Source: Analysis by SFU of Publications

We file with you as Exhibits 33 and 34 ads placed by J. I. Case in the January 5 edition of the Family Herald and the January edition of the Country Guide. In one ad, Case combines are advertised and in the other, tractors. Both ads tell us that "CAPACITY -- That's The Big Case Difference." One ad tells us to "order a Case combine now and get from $200 to $400 cash direct from Case-- "Cash in big. Cash in twice."

The other ad tells us the tractor has "Big Bore, Long Stroke, Low RPM...The high-torque power for faster field work..." and "...when the going gets tough, there's no power fall-off. Instead you lean into the load and keep right on pulling." For this kind of information, Canadian farmers have paid $193,027 in two months. We consider this an insult to the intelligence of Canadian farmers.

We have made no attempt to determine the cost of advertising by other means such as TV or radio or other news media. But from TV

advertising we learn of Massey Ferguson's "BIG HAND" that puts additional weight on the rear tractor wheels. We are not engineers but it is our belief that when weight is transferred from the pulled implement to the rear wheels of the tractor, the less likely the implement to penetrate the soil, or the more likely the front tractor wheels to rise off the ground.

Farm people are not opposed to advertising. They recognize the purpose of advertising is to sell a product. If machine companies give some information to the would-be purchaser about the product offered, and if it meets his needs, he will consider it.

The best form of advertising is a satisfied customer and the worst form an unsatisfied one. One ex-dealer told us why he is an ex-dealer. "I found company warranty service very poor. I sold a man a tractor and for two years he received nothing more satisfactory than insults from the service personnel, who had little or no ability to do a servicing job. Two years later they honored the warranty on his tractor. In the meantime, I lost all my sales because customers could not rely on that company."

In any community, one particular line of machinery will be more popular than others. The main reason for this is not the quality of the machine but the ability and willingness of the dealer servicing that community. He is the man the farmer knows. But he can't do it alone. He can provide this service only if he has the assurance the company will stand behind their product.

Replies from dealers we interviewed in connection with this enquiry gave no clear picture of the extent of advertising cost assessed directly on the dealers by the company. Only one dealer interviewed said no cost was

charged to him; all others said a part of the cost was charged to them. The amount each reported was different. Our opinion is the companies pass on directly to the dealer all the traffic will bear.

All dealers surveyed said they themselves advertised. The method of advertising by the dealers surveyed is shown in Table 14.

Table 14
Method of Advertising Used by Dealers

No. of Interviews	Advertise by TV	Advertise by Radio	Local Press
7	4	5	7

Source: SFU Implement Dealers Survey

We do not know the total cost of advertising farm machinery in Saskatchewan, nor to what extent advertising is a factor in the high cost of machinery. We recommend the commission investigate the extent.

We are of the opinion that if half the advertising bill was spent in better service to the farmer, the whole industry would benefit. In view of the difficulty of getting the industry itself to lower advertising costs some public action may be required.

Warranty:

Many complaints received at our hearings had to do with warranties of machines. We file with you a brief presented by a farmer and his experience with a 105 John Deere Combine as an example. We mark it Exhibit 35.

Another farmer described his experience with a Massey Ferguson 300 Self Propelled Combine. We mark it as Exhibit 36.

We leave you to make up your own mind on the merits of each case.

Replies from farmers to the question in our questionnaire, "Have you had in the last five years machinery warranties which were not properly honored?" are shown in Table 15.

Table 15
Opinions of Farmers as to Warranty

Number Answering Question	Yes	%	No	%
239	40	16.7	199	83.3

Source: SFU Farm Survey

Replies from dealers to the question, "Does your company honor warranty on machines?" are shown in Table 16.

Table 16

Number Answering Question	Yes	No	Not Always
7	5	0	2

Source: SFU Implement Dealers Survey

A considerable amount of evidence was presented to us that companies have made verbal promises to farmers in respect to warranty but refuse to put it in writing. Correspondence has gone back and forth until warranty period is over. An example of one that may be in the process of happening is contained in the correspondence we file as Exhibit 37.

When the subject of warranty was discussed at our hearings, many farmers expressed the opinion that some farmers get greater protection under present warranty than do others. Almost all farmers attending agreed that the warranty period for a machine should be changed to hours of use rather than time from purchase. When asked how this could be

calculated. replies were something like the following:

> "Put an hour meter on all machines. If it's possible to send a satellite to circle the moon, it should be possible to develop an hour meter with a seal that will indicate the use made of a machine."

Dealers replying to the question, "Would warranty period be more satisfactory if applied to hours of use rather than time?" replied as follows:

Yes	No
5	2

Source: SFU Implement Dealers Survey

We recommend that the warranty period on all machines be changed from one year's duration to the average use made of a given machine measured in hours. We recommend that a sealed hour meter be developed and made a standard part of all machines.

Transmission and Hydraulic Oils

Some, if not all, machine companies manufacturing tractors specify a part number for transmission and hydraulic oil to be used in their tractors. But we know of no machinery company that refines oil. John Deere is no exception.

One farmer brought us operator's manuals for John Deere 4010 and 4020 tractors. He also brought receipts for the purchase of oil to be used in the transmission of these tractors, and a can in which the oil is sold. We file them as Exhibits 38, 39 and 40.

The 4010 operator's manual says, "Use only John Deere Type 303 special purpose oil in the transmission and hydraulic system of your tractor. Other types of oil will not give satisfactory service and may result in eventual damage to the transmission or hydraulic system."

The 4020 operator's manual says, "Use only John Deere Type 303 special purpose oil or its equivalent in the transmission-hydraulic system of your tractor. (Underlining SFU's)

Price of Transmission Oil

1963	Part #AR 28425	$14.60	4.16 Imperial Gallons
1964	Part #AR 28425	$11.94	4.16 Imperial Gallons
1966	Co-op Transmission-Hydraulic Oil	$11.00	5 Imperial Gallons

We cite this as being typical corporate behavior as a way of maximizing profits.

Another farmer brought a copy of correspondence between himself and John Deere in respect to the farmer's desire to install a "Frantz Oil Cleaner" on a John Deere 5020 tractor. We file the correspondence as Exhibit 41.

One question asked by the farmer was, "Will the installation of this oil filter cancel the warranty?" In reply, the company said, "We feel it is our duty to warn you that any modifications beyond factory specifications automatically voids warranty on that unit."

We have no hesitation in saying that John Deere said comparable things about warranty on tractors a few years ago if other than its own "special purpose oil" was used in the transmission-hydraulic system of its tractor. As pointed out earlier, the company has now modified its position. We wonder if it will shortly do the same in respect to filters.

Rejection of Machines

Legislation in Saskatchewan requires the seller and buyer to sign what is known as a Form A contract when a new machine is sold. Terms of

warranty under which the machine is sold are shown on this contract. The buyer has ten days' trial period for the machine, and an additional two days during which he must notify the seller if the machine does not work well. The seller has eight days in which to make the machine work well. If the seller does not make the machine work well, the buyer has a five-day period to reject the machine. Forms for giving notification in both instances make up part of the Form A contract. We file with you a Form A contract and mark it as Exhibit 42.

Two farmers came to our hearings and claimed the rejection slip was not worth the paper it was written on, as the companies had refused to accept the rejection.

At subsequent hearings when asked if anyone present had ever been successful in rejecting a machine, no one said he had.

The first farmer had purchased a Massey Ferguson #36 discer with fertilizer attachment in 1965. The machine worked well at speeds up to 4 1/2 MPH. When increased to 5 MPH, it would not work. Other models of the same machine worked satisfactorily for the man's neighbors at 5 MPH. The dealer was notified, but was unsuccessful in making adjustments. The company sent a service man to the farm, who gave up after two days. In the required time, a rejection slip was signed and the machine was not accepted back by Massey Ferguson. Two law firms would not take his case to court. The farmer ran an ad for twenty-six weeks in The Western Producer at a cost of $73 which said:

> "For sale or trade, 1965 18-ft. No. 36 MF WLD with fertilizer. Company experts unable to make it work at speeds over 4 1/2 MPH and refuse to take it back, is reason for selling."

We file the ad with you as Exhibit 43.

According to the farmer, his reason for placing the ad in the paper was to let other farmers know how Massey Ferguson honored the warranty in his particular case. His second reason was that if he couldn't find counsel to represent him in court, he hoped Massey Ferguson would take him to court. This the company has not done.

The second farmer bought a #42 Versatile pull-type combine in 1965. He, too, attempted to reject the machine on the grounds that it did not work well. We file with you parts from this machine to show why he wanted to reject it and mark them as Exhibit 44.

These bolts to hold the concave in place broke four times in sixty hours. The company would not take the machine back. The combine is still in the farmer's yard. He bought a different combine in 1966 and his case with Versatile is before the courts.

We give these examples to illustrate the difficulties of an individual in society in coping with an industry concentrated in a few hands.

Noise, Physical Comfort and Convenience

A number of farmers had comments on the noise level of modern tractors, and especially those to which a cab has been added.

One farmer brought the February 16th edition of The Family Herald and endorsed an article by D.L.Trapp. In the article, Mr. Trapp tells of his experiences with machines over a period of time. We file it as Exhibit 45.

In the article, Mr. Trapp mentions the fact that tool boxes are small, won't keep out dirt or moisture. We concur with Mr. Trapp.

Noise level is described, and a neighbor is said to have purchased a set of "ear muffs" that he wears to keep out the noise.

The neighbor referred to attended one of our hearings and displayed his ear muffs. The claim is made that all tractors exceed the safe level of 85 to 90 decibles. We file his brief with you and mark it as Exhibit 46.

This farmer claims a study shows that over 70% of tractor drivers suffer from some sort of back ailment, that even though tractor seats are advertised as scientifically designed, they are a long way from the support given by manufacturers of busses for the driver.

Another farmer, who was a heavy man, said his Case 930 tractor seat gave trouble. His dealer advised that provision was made for a pin to be placed in its mechanism if driver was heavy. Pins kept breaking so he threw the seat away and equipped his platform with a plank seat.

Returning to noise and heat, farmers wonder why tractor manufacturers have not followed the lead of car and truck manufacturers by placing insulating material between driver and motor. Fenders and operator's platform could be mounted on cushioned mountings. One farmer suggested tractor designers should be compelled to operate the tractor he designed for ten hours a day for two weeks before it is produced for sale.

We suggest to the Commission that the examples given in this section indicate both bureaucratic inefficiency and low rate of innovation.

The Farmer and His Dealer

In the hearings we conducted, few complaints were received about dealers. The majority of farmers are of the opinion that the dealers with whom they deal are doing their best to provide service. Many farmers made a point of complimenting their dealers who have gone to extreme efforts to service the machines they sell. They regard their dealers as

colleagues in negotiating with the industrial world.

Our survey with dealers shows the dealers' ages to be between 34 and 56 years, married, with families of up to 6 children. Some of them are also farming. They have been dealers for their respective companies for an average of 11 years. They serve an area with a radius of between 20 and 25 miles with an occasional customer coming 100 miles or more. The nearest dealer to them for the same company will be 27 miles away, and the second nearest 36 miles away on the average. They handle short-line machines not manufactured by their company, fertilizers, weed sprays and other hardware and tires. All these characteristics help to explain the way in which farmers have identified with their dealers.

We were anxious to demonstrate to the Commission the kind of investment farm machinery dealers have in order to provide a service to farmers. From our limited survey, it would indicate that dealers' investments are similar to that of the farmer. The following tables show the capitalization of dealers. Investments of dealers in land and buildings are shown in Table 17.

Table 17

Level of Investments in Land & Buildings of Implement Dealers for the years 1964-65-66, in $

No. of Replies	Year	Less than 10,000	10,000-20,000	20,000-30,000	30,000-40,000	More than 40,000
6	1964	2				4
6	1965	2				4
6	1966	2				4

Source: SFU Farm Implement Dealers Survey

Table 18 shows the level of investments in tools and equipment of farm machinery dealers surveyed.

Table 18

Level of Investment in Tools and Equipment of Implement Dealers, for the years 1964-65-66, in $

No. of Replies	Year	Less than 5,000	5,000-10,000	10,000-15,000	15,000-20,000	20,000-25,000	More than 25,000
7	1964		5		1		1
7	1965		5		1		1
7	1966		4	1	1		1

Source: SFU Farm Implement Dealers Survey

Tables 17 and 18 indicate that the dealers surveyed had not expanded the size of their shops during the three years, but it does indicate at least one dealer has increased his investment in tools and equipment.

Table 19 shows the total volume of sales of dealers surveyed. Some dealers were not willing to disclose this information to us.

Table 20 shows dealers inventory in new machinery, repair parts, used machinery and other farm supplies as of December 31 in each of the last three years.

Table 21 shows the outstanding accounts of dealers with farmers, with company and with banks or other credit institutions for each of the last three years.

It is difficult to place any significance on data contained in Tables 19, 20 and 21. Many factors could be involved to influence what is shown.

We would, however, point out that all dealers who replied show an increase in the dollar value of repair part sales; most of them show an increase in inventory of repair parts. Only one dealer shows a reduction in its accounts outstanding with farmers.

TABLE 19: Dealers' Volume of Sales for years 1964, 65, 66 in $

	NEW MACHINES			REPAIR PARTS			USED MACHINES			OTHER FARM SUPPLIES		
YEAR	1964	1965	1966	1964	1965	1966	1964	1965	1966	1964	1965	1966
Dealer #1	-	-	-	TOTAL SALES IN 1966 - 1,398,000								
				-	-	-	-	-	-	-	-	-
Dealer #2	319,105	489,302	655,141	71,985	88,298	100,631	228,368	299,630	337,734	60,876	67,890	84,701
Dealer #3	-	-	-	-	-	-	-	-	-	-	-	-
Dealer #4	-	-	-	-	-	-	-	-	-	-	-	-
Dealer #5	-	-	-	10,004	10,120	12,420	-	-	-	-	-	-
Dealer #6	109,000	139,000	78,000	15,000	16,000	16,000	Not available as included in other farm supplies			55,000	55,000	55,000
Dealer #7	751,829	1,017,173	700,000	100,000	120,000	120,000	90,526	90,000	110,000	5,250	5,780	5,900

Source: SFU Farm Implement Dealers Survey.

TABLE 20: Dealers' Inventory as of December 31, 1964, 65, 66 in $

	NEW MACHINERY			REPAIR PARTS			USED MACHINERY			OTHER SUPPLIES		
YEAR	1964	1965	1966	1964	1965	1966	1964	1965	1966	1964	1965	1966
Dealer #1	-	-	179,281	-	-	62,000	-	-	47,000	-	-	40,000
Dealer #2	13,200	14,150	15,300	32,400	37,590	48,900	49,500	57,900	64,850	2,300	3,800	4,600
Dealer #3	-	-	-	-	-	48,000	-	-	35,000	-	-	-
Dealer #4	-	-	1,500	-	10,000	10,000	-	-	300	-	4,000	5,000
Dealer #5	10,073	75,349	77,119	6,000	8,240	10,620	9,002	10,088	13,651	-	-	8,000
Dealer #6	101,900	24,600	66,400	22,000	24,500	22,000	9,000	14,000	6,000	Included in repair parts		
Dealer #7	300,000	330,000	380,000	120,000	120,000	120,000	100,000	120,870	100,000	-	-	-

Source: SFU Farm Implement Dealers Survey.

TABLE 21: Outstanding Accounts of Dealers as of December 31, 1964, 65, 66 in $

	WITH FARMERS			WITH COMPANY			WITH BANK OR OTHER INSTITUTIONS		
YEAR	1964	1965	1966	1964	1965	1966	1964	1965	1966
DEALER #1	32,000	32,000	38,000	-	-	-	-	-	54,000
DEALER #2	11,870	14,240	12,990	39,600	37,000	50,107	98,000	100,000	90,000
DEALER #3	-	-	10,000	-	-	nil	-	-	nil
DEALER #4	-	12,000	12,000	-	nil	nil	-	-	1,284
DEALER #5	8,500	8,000	12,000	impossible to calculate because machines are transferred and sold			1,500	1,500	3,500
DEALER #6	3,000	1,700	1,545	9,000	13,900	9,500	10,000	7,500	7,800
DEALER #7	60,000	60,000	60,000	500,000	500,000	500,000	nil	nil	nil

Source: SFU Farm Implement Dealers Survey.

The number of people employed by each dealer is shown in Table 22.

Table 23 shows if companies and dealers have a staff training program. It shows if company has a training program for dealers and it shows if training programs exist where the training takes place.

Tables 22 and 23 show that dealers employ a permanent staff on a year-round basis and that they and the companies are making an effort to give their staff additional training.

Our survey also indicates that companies are putting forth limited effort to upgrade the qualifications of their dealers. This limited effort on the part of the companies is further evidence to substantiate the economic theories referred to earlier.

We feel it very significant that all dealers in our survey have acquired the assistance of a bookkeeper.

TABLE 22: Full and Part Time Employees of Dealers as of December 31, 1964, 65, 66

	FULL TIME EMPLOYEES			DOES HE EMPLOY A BOOKKEEPER			PART TIME		
YEAR	1964	1965	1966	1964	1965	1966	1964	1965	1966
Dealer #1	24	29	28	yes	yes	yes	2	2	2
Dealer #2	7	9	11	yes	yes	yes	0	0	2
Dealer #3	7	7	8	yes	yes	yes	2	2	4
Dealer #4	5	5	4	yes	yes	yes	-	1	1
Dealer #5	2	2	1	yes	yes	yes	3	3	1
Dealer #6	2	2	2	yes	yes	yes	1	1	1
Dealer #7	7	7	7	yes	yes	yes	6	6	6

Source: SFU Farm Implement Dealers Survey.

TABLE 23: Training Program Provided by Companies and Dealers

	Training Program Provided by Company for Dealers		Training Program Provided by Company for Dealers Staff		Training Program Provided by Dealers for Staff Members	
	Yes-No	Location	Yes-No	Location	Yes-No	Location
Dealer #1	No	-	Yes	Saskatoon	Yes	Company schools
Dealer #2	No	-	Yes	Regina	No	-
Dealer #3	Yes	Home course	Yes	Factory & Branch & Dealership	Yes	In shop
Dealer #4	Yes	Winnipeg	No	-	Yes	Moose Jaw
Dealer #5	Some	At dealer meetings	Yes	Branch & factory level	Yes	Company sponsored
Dealer #6	Yes	Regina	Yes	Regina	No	-
Dealer #7	No	-	Yes	Saskatoon	Yes	Saskatoon & on the job

Source: SFU Farm Implement Dealers Survey.

When asked if any machine dealerships had been discontinued in their communities in the last five years, the dealers said that nine dealerships had been. They were: one John Deere; two Massey Ferguson; one IHC; two Case; one Cockshutt; one Allis Chalmers; one New Holland. One dealer did not answer the question.

Dealers Contracts

We do not have copies of contracts between dealers and companies. No doubt they will vary between companies. However, dealers have given us some startling information that puts dealers in a difficult position.

One dealer said that if he receives machines from his company and they are not all sold by October 31st, he must pay a deposit of 25% equity in the number of machines remaining unsold up to the number he did sell, e.g., if eight machines arrive and four are sold he must pay 25% equity in the remaining four. If two are sold, 25% equity must be bought in two of remaining. If this equity payment is not made by October 31, the company will deduct the amount from dealer's bonus. If the bonus is not sufficient to cover the equity payment, the dealer's credit is cut off and he is on a strictly cash basis with the company.

A dealer informed us of the company policy in respect to credit on trade-ins. The company offers the dealer four months interest-free financing for the trade-in value of the used unit. The next four months, interest is charged to the dealer. At the end of the second four months' period, 10% of credit must be paid and at the end of twelve months the credit must be paid in full.

Another dealer informed us that if there is a price change while a new machine is on the dealer's lot, only that dealer can sell that particular machine at the old price. He gave two examples. First example: he had a new 3020 John Deere tractor for which he had no sale. Price rose on 3020 models. He alone could sell this tractor at the old price. No other dealer who had sale for a 3020 John Deere could sell this tractor except at the new price. He finally sold it by advertising in the paper, to a farmer 150 miles away at cost to him.

Second example: He had sale for a 5020 John Deere tractor. The buyer, who was a regular customer, wanted wide rear tires. He had on his lot a 5020 with dual wheels. A neighboring dealer had a 5020 with wide tires that had been on his lot for some time and an increase in price had taken place. The company would not allow the tractor to be transferred from one dealer to the other at the old price. The farmer was forced to go the forty miles distance to purchase the tractor at the old price. He said this policy came into effect about five years ago.

We must remember that the farmer will, for the warranty period, be required to go the 40 miles for service. He was, in effect, not allowed to deal with his local dealer, in whom he had confidence, and was a personal friend. Another example of bureaucratic inefficiency.

Another dealer said his contract could be terminated within 60 days. If this happens, his parts are taken back at the following price for each classification:

Class A - Parts for machinery 2 years old or newer - 15% less than wholesale.
Class B - Parts for machines two to five years old - 30% less than wholesale.
Class C - Parts for machines five to ten years old - 45% less than wholesale.
Class X - Parts for machines more than 10 yrs.old - the company will not take back.

We have made no attempt to determine the accuracy of the above company policies. We would urge the Commission to study carefully the contracts with dealers. We can see no reason why dealers would give us incorrect information.

Nor are we able to suggest to what extent these policies have added to the overall cost of machines and repair parts. We do suggest to you that these are more examples of unequal bargaining power between the individual and the industrial world and that they result in a transfer of capital into the industrial world.

Custom Work

Our questionnaire used in the survey with farmers asked a series of questions to determine the amount of custom work being done for other farmers. Of a total of 263 replies to the question: "Do you normally do custom work?", fifty-seven said they did and 206 said they didn't. Some did not specify what machines they used. Table 24 shows the number of those doing custom work and the kind of machinery used in 1964, 1965 and 1966.

Table 24

Number of Farmers Using Selected Machines for Custom Work in 1964-65-66

Kind of Machine	1964	1965	1966
Seeding	0	0	0
Summerfallowing	0	0	0
Grain harvest	12	16	22
Haying	4	5	9
Land clearing	0	1	1
Breaking	0	0	0
Combination of above	3	3	3

Source: SFU Farm Survey

In reply to the question, "Do you normally have custom work done on your farm?", of a total of 258 replies, 98 said they did and 160 said they did not. Some did not specify the kind of machinery hired. Table 25 shows the number of persons who had custom work done and the kind of machines used in 1964-65-66.

Table 25

Number of Farmers Having Custom Work Done with Selected Machines in 1964-65-66

Kind of Machine	1964	1965	1966
Seeding	0	0	1
Summerfallow	1	1	1
Grain harvest	26	29	37
Haying	13	13	13
Clearing	8	6	8
Breaking	0	1	0
Combination of above	3	3	3

Source: SFU Farm Survey

Tables 24 and 25 indicate a trend toward more people taking advantage of custom combining. It would appear that more farmers are competing for a stable demand for custom hay harvest.

It appears the only other opportunity for custom work is in land clearing. Table 26 shows the number of farmers who had gross incomes from custom work in 1964-65-66 and the gross income category of those farmers.

Table 26

Income Category of Farmers Doing Custom Work, 1964-65-66

Gross Income in Dollars	1964	1965	1966
Less than $100	2	6	3
100-200	6	5	18
200-300	6	10	3
300-400	5	4	6
500-690	2	4	3
600-700	1	0	1
700-800	3	3	5
More than 800	7	8	8

Source: SFU Farm Survey

Table 27 shows the expense of those having custom work done in 1964-65-66.

Table 27

Expense Category of Farmers Having Custom Work Done in 1964-65-66

Expense in Dollars	1964	1965	1966
Less than 100	15	16	13
100-200	24	24	30
200-300	10	13	19
300-400	5	7	7
400-500	7	9	7
500-600	1	3	4
600-700	6	3	3
700-800	2	0	2
More than 800	3	4	4

Source: SFU Farm Survey

Table 27 indicates that those doing custom work are competing for small jobs as the majority of those having custom work done have $300 or less expenditures.

As mentioned earlier, we have not completed compiling our returns from questionnaires. We fully expect that analogies will reveal the reasons why custom work is being done. We reserve comment and will have more to say if given the opportunity to appear before you at a later date.

Canadian Co-operative Implements Limited

Replies to our questionnaires indicate that many farmers are realizing the best way to cope with the cost of farm machinery is by the development of Canadian Co-operative Implements Limited. Table 28 shows the percentage of farmers who are members of CCIL who responded to our survey.

Table 28
Membership in CCIL

No. of Replies	Member of CCIL	%	Non-Member of CCIL	%
265	126	47.5	139	52.5

Source: SFU Farm Survey.

The table shows that 47.5% of farmers are members of CCIL.

At our hearings, many farmers said the only way of doing something about machinery costs is by development of CCIL.

We file with you a brief received at one hearing, as Exhibit 47.

Farmers are particularly pleased with the service provided by CCIL. The brief we file with you says in part, "The service from both Saskatoon and Rosetown has been excellent. I have never wanted for the smallest part or repair. Whenever a change or modification was needed, a service man was out promptly to service the machine."

We will not attempt to deal at length with the development nor the potential of CCIL. We feel certain this will be done by others.

We do, however, wish to say emphatically, that we support the principle of farmers developing their own company to supply their farm machinery needs. We urge farmers to give their own company their patronage and support.

Conclusions:

We have gone to a great deal of effort in gathering together the evidence of performance on the part of the major farm machinery companies. We stated earlier that economic theory suggests that certain types of poor performance tend to emerge as concentrations of economic power develop.

economic theory so far as the farm machinery industry is concerned.

We have made no attempt to estimate the cost to the farmer of a machine that does not work well. Time spent in repairing, travelling to different centres, delays waiting for repair parts, work that does not get done, or work done out of season, all add to costs to him. Often farmers must hire custom work done when his own machine should be doing the work.

We have conducted a survey of farmers in eleven townships in Saskatchewan. We have attempted to transfer the results of our survey into tables for your benefit. We believe much of the evidence submitted at hearings in Saskatchewan is given added support by the survey.

We have shown the volume of sales of farm implements in Saskatchewan and the dollar value of these sales.

We have shown the investment of farmers in machinery per acre and machinery cost per acre.

We have shown the increased productivity of agriculture and of the individual farmer. In spite of increased productivity, the farmer's net income has not risen to any degree.

We suggest to you that the farm machinery industry has, through its behavior, been a major factor in the transfer of capital out of agriculture.

We have provided you with a small amount of information about farm machinery dealers. We trust it may stimulate the commission to investigate further. We believe that dealers are in need of a greater degree of security in respect to contracts with their companies. We are not in a position to make any positive recommendations on his behalf at this time.

In this submission, we have not dealt with some of the questions

the commission asked farm organizations for comment on.

Tabulation of our questionnaires used in our survey is not complete. We expect it will be shortly. We will then be in a better position to comment on the remaining questions.

Canadian farmers have had two general ways in meeting concentration of economic power. They have been:

1) To develop their own company or co-operative to work in their interests.

2) To urge public regulation of existing industries.

Many examples of the first could be cited from coast to coast. Co-operatives have been developed to market and handle grain, livestock, dairy products, etc. Co-operatives now handle a large part of farm supplies such as fuels, fertilizers, chemicals, lumber, hardware, money. They have developed Canadian Co-operative Implements Limited.

These agencies came into being to correct injustices that existed. In the farm machinery industry, there is yet a long way to go.

Many examples of the second way that farmers met concentration may also be given.

We have long had public regulation of transportation, elevator companies, banks -- to name a few.

The lack of "good corporate citizenship" on the part of a few large industries has forced Parliament to pass the Anti-Combines Act in Canada, and its counterparts elsewhere.

The farm machinery industry, on the other hand, has been left to the provinces to regulate. In Saskatchewan we have the Agricultural

Machinery Act. We have presented to you evidence to show conclusively that the Act is not being adhered to by the companies.

The only way the abuses can be corrected in the short run is by public regulation of the industry and in the long run through the development of countervailing power in the market by agencies such as Canadian Co-operative Implements Limited.

We have suggested to you a number of areas that need further study. They are:

1) Competition or lack of competition in the farm machinery industry.
2) The social cost to the nation of rapid change.
3) The extent to which advertising has added to the cost of machinery.
4) The kind of investment needed by a dealer in order to provide service.
5) The vulnerability of dealers as to non-renewal of contract with company.
6) Company dealer contracts.

Recommendations:

1) That encouragement be given to CCIL by the following means:
   a) Assistance in financing if requested.
   b) Public guarantee of loans or sale of bonds.
2) That the farm machinery industry and its distribution system be brought under strict public regulation. We recognize that under the

British North America Act property and civil rights comes under the exclusive jurisdiction of the provinces, and the federal Parliament cannot legislate in this field. We do, however, believe that the federal government could take the lead in attempting to bring about identical legislation in all provinces.

3) That all machines offered for sale be subjected to a performance test by a public agency before the machine is offered for sale.

4) That bearings, chains, belts, hydraulic couplers, shafts, wheels, knife sections, guards, oil filters be standardized.

5) That standard part numbers be used for all items mentioned in 4).

6) That an Ombudsman (or his equivalent) be established to mediate between the farmer and the farm machinery companies.

7) That the length of time machine companies are required to maintain repair parts in the province be extended to more than ten years.

8) That warranty period be changed from one year's duration to use made of a machine measured in hours.

9) That a sealed hour meter be developed and made standard on all machines.

10) That an investigation be made by the Restrictive Trade Practices Commission to determine the extent to which the actions of farm machinery companies are in restraint of trade.

11) That the Saskatchewan Farmers Union be given the opportunity to appear before you at a future date.

All of which is respectfully submitted by

The Saskatchewan Farmers Union.